Employer Group Long-Term Care Insurance and the Federal Program

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TOPICS

• U.S. Employer Group Market: Development, Data, Trends

• Federal Long Term Care Insurance Program (FLTCIP)

• Challenges and Opportunities for Private LTCI Industry
• Group LTCI first appeared mid 80’s
• “Second-generation” LTCI
• Publicly-traded companies, colleges and universities, unions, state governments
• Reimbursement models predominate
• Employer size getting smaller
• Fewer stand-alone experience, fully-pooled plans prevalent
• Carrier exits and repositioning
### Group LTCI 2010 Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Case Sales</td>
<td>$68</td>
</tr>
<tr>
<td>New Participants</td>
<td>59</td>
</tr>
<tr>
<td>Benefit Increases</td>
<td>26</td>
</tr>
<tr>
<td>Association Group</td>
<td>5</td>
</tr>
</tbody>
</table>

$158 million

CAGR (2005 – 2010) = 5%

### Group LTCI 2010 in Force

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groups</td>
<td>11,150</td>
</tr>
<tr>
<td>Participants</td>
<td>2.28 Million</td>
</tr>
<tr>
<td>Annualized premium</td>
<td>$2.06 Billion</td>
</tr>
</tbody>
</table>

6% increase over 2009

### Group Enrollee Profile Data

- Average age of participant: 46
- Average new sales premium: $672
- 1/2 buy Future Purchase Option (FPO)
- Premiums voluntary, but some subsidies

### Intermediaries

- More than two-thirds of employers use brokers
- About one quarter use consultants
- Less than 10% go direct
- Commissions vary by group size

Source: LIMRA, LL, Global, Inc., 2011
SCAN Foundation.org, CLASS Technical Assistant Briefs, Spring 2011, No. 14
• Majority of cases are private firms
• Participation rates from 2% to 7%, with 20% possible
• Worksite/Multilife (7 to 20 lives) popular, with executive carve-outs, spousal, and other discounts
Federal Long Term Care Insurance Program (FLTCIP)

- Created by Long Term Care Security Act of 2000
- Oversight by Congress
- Sponsored and Regulated by OPM
FLTCIP: A Public-Private Partnership

U.S. Congress

U.S. Office of Personnel Management (OPM)
- Director of OPM
- Healthcare & Insurance
- Office of Inspector General
- Office of Communications
- Financial/Actuarial

GAO, HHS, CBO, OMB, Treasury

John Hancock

Long Term Care Partners, LLC

Long-Term Care Insurance Industry

Long-Term Care Services & Supports

20 Million Eligibles

225,804 Enrolled

$355 Million in Annual Earned Premium:

Stakeholders

Insurers & Providers

FLTCIP

## FLTCIP Activity

<table>
<thead>
<tr>
<th><strong>Average Per Month</strong> (FY 2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique Website Visitors:</td>
</tr>
<tr>
<td>Phone Calls:</td>
</tr>
<tr>
<td>Persons attending presentations:</td>
</tr>
<tr>
<td>Information Kits Sent:</td>
</tr>
<tr>
<td>Applications received</td>
</tr>
<tr>
<td>Inflation adjustment letters</td>
</tr>
<tr>
<td>(av. per month)</td>
</tr>
<tr>
<td>New claim calls</td>
</tr>
<tr>
<td>Claims paid</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
FLTCIP: Statutory Provisions

- Contract preempts and supersedes any state & local laws pertaining to LTCI, as well as regulations.
- Reports shall be made by carrier to OPM (as regulator), GAO, Congress, and other oversight agencies and departments.
- All premiums and premium investment earnings must be separately accounted for apart from insurer’s other funds.
- Premium may be revised only on class basis and mutual agreement of OPM & insurance carrier.
- Benefits and coverage is 100% finance by insured individual.
• Benefits and coverage must be offered on guaranteed renewable basis
• Underwriting is permitted, and higher standards of underwriting may apply after first opportunity to enroll
• Plan must have portability
• Plan must consist of qualified LTCI contract (ex. IRS section 7720B of 1986) via qualified carrier(s)
• Master Contract is for seven years and must be fully insured
• Consumer awareness of LTC and LTCI must be achieved to ensure informed decision making
FLTCIP 2\textsuperscript{nd} Contract

- OPM awarded second 7-year FLTCIP contract to John Hancock in 5/2009
- Adoption of new 2.0 plan; increase for ACIO enrollees on 1.0 plan
• 146,400 impacted with 5%-25% increase depending upon enrollee’s age at purchase

• Personalized options packages with landing spots

• Support via website and specially-trained customer service representatives

• Special rate quote unit for other options
FLTCIP: Home Health Care

- Reimbursed at 100% of Daily Benefit from $100 to $450 per day
- Formal care by Home Health Agencies
- Informal care by friends, neighbors, and family members
- Adult day care
- Respite Care
- Stay-at-home benefits
FLTCIP Care Coordination

- Registered nurses, with clinical experience, act as single point of contact
- Available for enrollees, and their qualified relatives, even if not enrolled
- Assessment, planning, service coordination, and counseling
- Dedicated resources assigned to each case
- Thoughtful utilization of benefits
- Claimants’ Satisfaction Level: 98% (+) since Program’s start
Independent Third Party Review

• In cases of disputed eligibilities or claims, after denial of appeal, file may be submitted to independent third party for evaluation

• Third Party decision is binding and final

• Benchmark for consumer protections
2002
• Product and pricing information
• Limited tools
• Abbreviated application on-line

2011
• Product and pricing information
• More robust tools
• All application types on-line
• Individual accounts with personalized product and claims information
• SDP product changes and tools
• Online Consultant Tool
April 4, 2011 to June 24, 2011

First abbreviated underwriting opportunity for non-enrolled applicants since 2002

Same Sex Domestic Partners may apply in Open Season

Powerful website (ltcfeds.com) and call center support (1-800-LTC-FEDS)
FLTCIP Lessons Learned

- Americans don’t understand their LTC need or exposure.
- People are cost-sensitive.
- Fewer choices are better than more.
- More disclosures are better than less.
- Home Health Care benefit is critical.
- Multiple touches make a difference.
- Web is an important tool for LTC/LTCI education, analysis, and service.
Private LTCI Market Challenges

- Participation is still not adequate
- No strong tax incentives for private LTCI purchase
- Competing demands for younger buyers
- Pricing issues
- Regulatory concerns
- Investment risk
- Brand/reputation risk
• Demographics
• Low savings rate
• Hard to self-fund LTC risk
• State and Federal government deficits
• Lack of choice
• Desire for independence
• CLASS
Moving Forward

• Strong currents pulling Employer Group LTCI forward

• LTC analogous to retirement security

• Safety net as well as private transfer of LTC risk

• Need for greater cooperation between public and private sectors